

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Forest Township	County Genesee County
Fiscal Year End March 31, 2008	Opinion Date June 25, 2008	Date Audit Report Submitted to State June 27, 2008	

We affirm that:

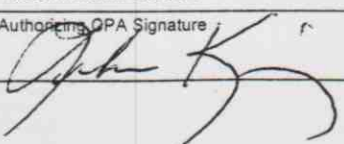
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	Communication with Those Charged with Governance.	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113		
Street Address 3531 Main Street		City Marlette	State MI	Zip 48453
Authorizing CPA Signature 		Printed Name Lehn L. King, C.P.A.		License Number A248781

Township of Forest

Genesee County, Michigan

Audited Financial Report
March 31, 2008

Lehn L. King

Certified Public Accountant
Marlette, Michigan

Township of Forest
Annual Financial Report
For The Fiscal Year Ended March 31, 2008

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Members of the Township Board
Forest Township
Genesee County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Forest, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Forest, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Forest, Michigan as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Forest, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

June 25, 2008

Township of Forest

Otisville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Forest's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$196,528.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

The Township as a Whole

The Township of Forest's fund balances are as follows:

	March 31, 2008	March 31, 2007
General Fund	\$ 196,528	\$ 291,043
Fire Station Fund	187,936	161,600
Senior Center Fund	-	1,404
Garbage Fund	115,345	124,213
Building Inspection Fund	12,467	14,921
Total for Township	<u>\$ 512,276</u>	<u>\$ 593,181</u>

Township of Forest

Otisville, Michigan

Governmental Activities

The Township of Forest's Revenues and Expenditures can be summarized as follows:

	General Fund		Fire Station Fund		Garbage Fund		Building Inspection Fund		Total Governmental Funds	
	March 31,		March 31,		March 31,		March 31,		March 31,	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Fund Balance -										
Beginning of Year	\$ 291,043	\$ 285,725	\$ 161,600	\$ 122,343	\$ 124,213	\$ 133,570	\$ 14,921	\$ 12,286	\$ 591,777	\$ 553,924
Revenue Collected										
Intergovernmental Revenue	261,096	258,936	-	-	-	-	-	-	261,096	258,936
Taxes & Special Assessments	167,418	158,980	174,360	173,280	141,465	135,540	-	-	483,243	467,800
Charges for Services	19,640	1,595	-	-	-	-	5,010	11,697	24,650	13,292
Transfers	-	-	-	-	-	-	-	-	-	-
Other	74,985	91,767	7,707	692	490	719	-	-	83,182	93,178
Total Revenue Collected	523,139	511,278	182,067	173,972	141,955	136,259	5,010	11,697	852,172	833,206
Expenditures										
General Government	423,464	379,868	-	-	-	-	-	-	423,464	379,868
Public Safety	20,142	18,202	86,098	65,082	-	-	7,465	9,062	113,705	92,346
Public Works	85,583	88,389	-	-	150,823	145,616	-	-	236,406	234,005
Recreation & Culture	-	-	-	-	-	-	-	-	-	-
Other Functions	-	-	-	-	-	-	-	-	-	-
Capital Outlay	19,760	16,612	-	-	-	-	-	-	19,760	16,612
Debt Service	68,705	2,889	69,633	69,633	-	-	-	-	138,338	72,522
Transfers	-	-	-	-	-	-	-	-	-	-
Total Expenditures	617,654	505,960	155,731	134,715	150,823	145,616	7,465	9,062	931,673	795,353
Fund Balance - End of Year	\$ 196,528	\$ 291,043	\$ 187,936	\$ 161,600	\$ 115,345	\$ 124,213	\$ 12,467	\$ 14,921	\$ 512,276	\$ 591,777

Township of Forest

Otisville, Michigan

Economic Factors and Next Year's Budget and Rates

The Township of Forest's 2008/2009 adopted budget is as follows:

	General Fund	
	March 31,	
	2008/2009	2007/2008
Fund Balance Surplus from Prior Years	\$ 53,250	\$ 365,100
Revenue		
Intergovernmental Revenue	225,000	260,000
Property Taxes/Special Assessments	130,200	180,100
Charges for Services	155,650	-
Transfer	-	
Other	2,800	113,540
Total Revenue Collected	513,650	553,640
Expenditures		
General Government	374,200	403,540
Public Safety	13,500	15,500
Public Works	102,800	100,000
Recreation & Culture	6,300	7,300
Other Functions	70,100	113,540
Capital Outlay	-	-
Debt Service	-	-
Transfers	-	-
Total Expenditures	566,900	639,880
Net Over/Under Budget	\$ -	\$ 278,860

The Township of Forest's General Fund budget for next year is approximately the same budget as a year ago.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 103 Main Street, Otisville, Michigan or by telephone at (810) 631-6645.

Valerie Pace
Township of Forest Supervisor

Township of Forest
Statement of Net Assets (Deficit)
March 31, 2008

	Primary Government Governmental Activities
<u>Assets</u>	
Cash & Cash Equivalents	\$ 472,750.58
Property Taxes Receivable	48,392.68
Due From Other Funds	1,661.59
Capital Assets (Net of Accumulated Depreciation)	<u>985,741.13</u>
 Total Assets	 1,508,545.98
<u>Liabilities</u>	
Accounts Payable	\$ 10,529.20
Accrued Interest Payable	5,828.00
Current Portion of Long-Term Debt	59,229.00
Noncurrent Liabilities:	
Long-Term Debt	<u>163,977.90</u>
 <u>Total Liabilities</u>	 <u>239,564.10</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	756,706.23
Unrestricted	<u>512,275.65</u>
 <u>Total Net Assets (Deficit)</u>	 <u><u>\$ 1,268,981.88</u></u>

The notes are an integral part of the statements.

Township of Forest
Statement of Activities
For the Year Ended March 31, 2008

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government Governmental Activities
<u>Functions/Programs</u>	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 431,091.61	\$ 19,640.00	\$ -	\$ -	\$ (411,451.61)
Public Safety	136,755.31	5,010.00	-	-	(131,745.31)
Public Works	236,406.31	-	-	-	(236,406.31)
Recreation & Culture	162,165.39	1,035.00	-	-	(161,130.39)
Interest on Long-Term Debt	16,945.56	-	-	-	(16,945.56)
<u>Total Governmental Activities</u>	<u>\$ 983,364.18</u>	<u>\$ 25,685.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(957,679.18)</u>
General Revenues:					
Property Taxes					\$ 167,418.37
Special Assessments					315,824.83
Intergovernmental Revenues					412,769.00
Interest					8,178.64
Other Revenues					75,283.99
Transfers					-
Total General Revenues, Special Items & Transfers					<u>979,474.83</u>
Change in Net Assets					21,795.65
Net Assets (Deficit) - Beginning of Year					<u>1,247,186.23</u>
Net Assets (Deficit) - End of Year					<u>\$ 1,268,981.88</u>

The notes are an integral part of the statements.

Township of Forest

Governmental Funds

Balance Sheet

March 31, 2008

	General Fund	Fire Station Fund	Senior Center Fund	Garbage Fund	Building Inspection Fund	Totals Governmental Funds
<u>Assets</u>						
Cash & Certificates of Deposit	\$ 190,407.71	\$ 167,735.83	\$ -	\$ 102,140.25	\$ 12,466.79	\$ 472,750.58
Property Taxes Receivable	14,987.68	20,200.00	-	13,205.00	-	48,392.68
Due From Tax Account	1,661.59	-	-	-	-	1,661.59
<u>Total Assets</u>	\$ 207,056.98	\$ 187,935.83	\$ -	\$ 115,345.25	\$ 12,466.79	\$ 522,804.85
<u>Liabilities & Fund Equity</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 10,529.20	\$ -	\$ -	\$ -	\$ -	\$ 10,529.20
<u>Total Liabilities</u>	10,529.20	-	-	-	-	10,529.20
<u>Fund Equity</u>						
Fund Balances						
- Unreserved & Undesignated	196,527.78	187,935.83	-	115,345.25	12,466.79	512,275.65
<u>Total Fund Balances</u>	196,527.78	187,935.83	-	115,345.25	12,466.79	512,275.65
<u>Total Liabilities & Fund Equity</u>	\$ 207,056.98	\$ 187,935.83	\$ -	\$ 115,345.25	\$ 12,466.79	\$ 522,804.85

The notes are an integral part of the statements.

Township of Forest
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2008

Total Fund Balances for Governmental Funds	\$ 512,275.65
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	985,741.13
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(223,206.90)
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Accrued Interest Payable is not reported in the Funds	<u>(5,828.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 1,268,981.88</u></u>
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The notes are an integral part of the statements.

Township of Forest
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2008

	General Fund	Fire Station Fund	Senior Center Fund	Garbage Fund	Building Inspection Fund	Totals Governmental Funds
<u>Revenues</u>						
Property Taxes	\$ 167,418.37	\$ 174,360.00	\$ -	\$ 141,464.83	\$ -	\$ 483,243.20
Intergovernmental Revenues	261,096.00	-	151,673.00	-	-	412,769.00
Cemetery Sales	18,343.00	-	-	-	-	18,343.00
Charges for Services	1,297.00	-	1,035.00	-	5,010.00	7,342.00
Grant Proceeds	-	-	-	-	-	-
Interest Earnings	6,551.06	856.93	280.30	490.35	-	8,178.64
Other Revenues	68,433.99	6,850.00	-	-	-	75,283.99
<u>Total Revenues</u>	<u>523,139.42</u>	<u>182,066.93</u>	<u>152,988.30</u>	<u>141,955.18</u>	<u>5,010.00</u>	<u>1,005,159.83</u>
<u>Expenditures</u>						
General Government	423,463.86	-	-	-	-	423,463.86
Public Safety	20,142.27	86,098.30	-	-	7,464.57	113,705.14
Publics Works	85,583.46	-	-	150,822.85	-	236,406.31
Recreation & Culture	-	-	154,391.81	-	-	154,391.81
Capital Outlay	19,759.55	-	-	-	-	19,759.55
Debt Service - Principal	65,276.73	56,115.84	-	-	-	121,392.57
Debt Service - Interest	3,428.59	13,516.97	-	-	-	16,945.56
<u>Total Expenditures</u>	<u>617,654.46</u>	<u>155,731.11</u>	<u>154,391.81</u>	<u>150,822.85</u>	<u>7,464.57</u>	<u>1,086,064.80</u>
Excess of Revenues Over (Under) Expenditures	(94,515.04)	26,335.82	(1,403.51)	(8,867.67)	(2,454.57)	(80,904.97)
<u>Other Financing Sources (Uses)</u>						
Operating Transfers In (Out)	-	-	-	-	-	-
Net Change in Fund Balances	(94,515.04)	26,335.82	(1,403.51)	(8,867.67)	(2,454.57)	(80,904.97)
<u>Fund Balances - Beginning of Year</u>	<u>291,042.82</u>	<u>161,600.01</u>	<u>1,403.51</u>	<u>124,212.92</u>	<u>14,921.36</u>	<u>593,180.62</u>
<u>Fund Balances - End of Year</u>	<u>\$ 196,527.78</u>	<u>\$ 187,935.83</u>	<u>\$ -</u>	<u>\$ 115,345.25</u>	<u>\$ 12,466.79</u>	<u>\$ 512,275.65</u>

The notes are an integral part of the statements.

Township of Forest
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (80,904.97)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 19,759.55

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) #####

Interest Expense is reported in the Statement of Activities
when a Liability is incurred; they are reported in the
Governmental Funds only when payment is due -

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (38,451.50)

Change in Net Assets of Governmental Activities \$ 21,795.65

The notes are an integral part of the statements.

Township of Forest
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2008

	Fiduciary Fund	Totals March 31, 2008
	Current Tax Collection Fund	
<u>Assets</u>		
Cash - Savings & Certificates	\$ 1,662.00	\$ 1,662.00
<u>Total Assets</u>	<u>\$ 1,662.00</u>	<u>\$ 1,662.00</u>
 <u>Liabilities & Fund Balance</u>		
<u>Liabilities</u>		
Due To Other Funds	\$ 1,662.00	\$ 1,662.00
Due To Others	-	-
<u>Total Liabilities</u>	<u>1,662.00</u>	<u>1,662.00</u>
 <u>Fund Balances</u>		
Unreserved & Undesignated	-	-
<u>Total Fund Balances</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities & Fund Balances</u>	<u>\$ 1,662.00</u>	<u>\$ 1,662.00</u>

The notes are an integral part of the statements.

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

The accounting methods and procedures adopted by the Township of Forest, Genesee County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Station Fund - This fund accounts for the operation of the fire station fund and provides for the accumulation of funds for equipment replacement. Funding is provided primarily through a special assessment.

Garbage Fund - This fund accounts for contracted garbage collection in the Township. Funding is provided primarily from a special assessment

Building Inspection Fund - This fund is set up for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

Senior Center Fund - This fund is set up for the administration of the Senior Center activities. It is primarily funded through donations, meal charges, and a county millage. The fund was closed as of March 31, 2008.

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

Additionally, the Township reports the following fund types:

Trust & Agency Funds - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

Current Tax Collection Fund - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
Township Board	\$ 5,000	\$ 5,779	\$ 779
Building & Grounds	154,787	154,817	30
Capital Outlay	17,200	19,760	2,560
<u>Senior Center Fund</u>			
Other Expenditures	108,131	125,659	17,528

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The Township does not have an investment policy adopted by the Board that is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 472,451	\$ 1,662	\$ 474,113

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 474,113

The bank balance of the primary government's deposits is \$474,113, of which \$100,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$374,113 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At year end, there were no investments reported in the basic financial statements.

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

General Government Services 0.9266 mills

Special Assessments:

Fire: Improved \$80
 Unimproved \$40

Garbage: Per Household \$90

5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2008</u>
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 133,205	\$ -	\$ -	\$ 133,205
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ 1,079,192	\$ 19,760	\$ -	\$ 1,098,952
Machinery & Equipment	403,637	-	-	403,637
Total Capital Assets being Depreciated	1,482,829	19,760	-	1,502,589
Accumulated Depreciation:				
Buildings & Improvements	391,002	24,081	-	415,083
Machinery & Equipment	220,598	14,370	-	234,968
Total Accumulated Depreciation	611,600	38,451	-	650,051
Net Capital Assets Being Depreciated	<u>871,229</u>	<u>(18,691)</u>	<u>-</u>	<u>852,538</u>
Net Capital Assets	<u>\$ 1,004,434</u>	<u>\$ (18,691)</u>	<u>\$ -</u>	<u>\$ 985,743</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 7,628
Public Safety	23,050
Recreation & Culture	7,773
Total Governmental Activities	<u>\$ 38,451</u>

6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

7. Long -Term Debt

The following is a summary of the debt outstanding of the Township as of March 31, 2008:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Loan - 1998 Fire Station Loan						
Original Issue - \$400,000		\$22,724 -				
Maturing through 12/3/2013	4.80%	\$35,275	\$ 221,150	\$ (27,904)	\$ 193,246	\$ 29,243
Installment Loan - 2001 Fire Truck						
Original Issue - \$182,793		\$26,075 -				
Maturing through 7/13/2008	4.95%	\$29,757	\$ 58,706	\$ (28,720)	\$ 29,986	\$ 29,986
Installment Loan - House						
Original Issue - \$100,000		\$9,302 -				
Maturing through 12/13/2006	4.38%	\$65,233	<u>\$ 65,277</u>	<u>\$ (65,277)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities			<u><u>\$ 345,133</u></u>	<u><u>\$ (121,901)</u></u>	<u><u>\$ 223,232</u></u>	<u><u>\$ 59,229</u></u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 59,229	\$ 10,247	\$ 69,476
2010	30,647	7,371	38,018
2011	32,118	5,900	38,018
2012	33,660	4,358	38,018
2013	35,275	2,742	38,017
2014	32,304	1,049	33,353
Total	<u><u>\$ 223,233</u></u>	<u><u>\$ 31,667</u></u>	<u><u>\$ 254,900</u></u>

Township of Forest
Notes to the Financial Statements
For The Year Ended March 31, 2008

8. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	<u>\$ 1,662</u>	Tax Collection Fund	<u>\$ 1,662</u>
Total	<u><u>\$ 1,662</u></u>		<u><u>\$ 1,662</u></u>

Interfund Transfers reported in the Fund Statements are as follows:

NONE

9. Retirement Plan

Effective January 1, 1998, the Township established a single-employer defined contribution pension plan covering all eligible employees who wish to participate. The Forest Township Money Purchase Pension Plan is administered by Municipal Retirements Systems, Inc. The Township and the employee each contribute 11.5% of the employee's annual compensation. Benefits are immediately 100 percent vested. Total contributions by the Township to the plan during the year ended March 31, 2008, were \$8,622.

10. Post Employment Benefits

The Township does not provide any post employment benefits other than the pension benefits.

11. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2008

	Original	Amended		Variance
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>with</u>
				<u>Amended</u>
				<u>Budget</u>
Property Taxes	\$ 180,100.00	\$ 180,100.00	\$ 167,418.37	\$ (12,681.63)
State Shared Revenues	260,000.00	260,000.00	261,096.00	1,096.00
Licenses, Permits & Fees	2,000.00	2,000.00	1,155.00	(845.00)
Charges for Services	4,500.00	4,500.00	142.00	(4,358.00)
Community Development Grant Funds	1,640.00	1,640.00	-	(1,640.00)
Cemetery Revenue	24,000.00	24,000.00	18,343.00	(5,657.00)
Hall & House Rent	26,000.00	29,000.00	42,137.40	13,137.40
Interest	1,200.00	1,200.00	6,551.06	5,351.06
Other Revenues	42,200.00	27,200.00	26,296.59	(903.41)
<u>Total Revenues</u>	<u>\$ 541,640.00</u>	<u>\$ 529,640.00</u>	<u>\$ 523,139.42</u>	<u>\$ (6,500.58)</u>

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>General Government</u>				
Township Board	\$ 5,000.00	\$ 5,000.00	\$ 5,778.80	\$ (778.80)
Supervisor	36,000.00	36,000.00	32,135.10	3,864.90
Elections	2,500.00	7,800.00	7,287.73	512.27
Assessor	40,500.00	40,500.00	34,870.61	5,629.39
Professional Fees	14,700.00	14,700.00	4,683.00	10,017.00
Clerk	38,300.00	38,150.00	36,908.80	1,241.20
Board of Review	2,600.00	2,600.00	1,718.04	881.96
Treasurer	46,500.00	46,500.00	41,366.24	5,133.76
Cemetery Expenses	38,400.00	38,390.00	35,622.80	2,767.20
Building & Grounds	134,040.00	154,787.00	154,817.06	(30.06)
<u>Total General Government</u>	<u>358,540.00</u>	<u>384,427.00</u>	<u>355,188.18</u>	<u>29,238.82</u>
<u>Public Safety</u>				
Police Protection	11,000.00	11,000.00	9,197.12	1,802.88
Planning & Zoning	5,300.00	24,800.00	6,608.30	18,191.70
Street Lights	4,500.00	4,500.00	4,336.85	163.15
<u>Total Public Safety</u>	<u>20,800.00</u>	<u>40,300.00</u>	<u>20,142.27</u>	<u>20,157.73</u>
<u>Public Works</u>				
Contracted Services	100,000.00	100,000.00	83,118.51	16,881.49
Community Development - Senior Citizens	7,000.00	8,640.00	2,464.95	6,175.05
<u>Total Public Works</u>	<u>107,000.00</u>	<u>108,640.00</u>	<u>85,583.46</u>	<u>23,056.54</u>
<u>Recreation & Culture</u>	<u>7,300.00</u>	<u>7,300.00</u>	<u>-</u>	<u>7,300.00</u>
<u>Other Functions</u>				
Insurance & Administration	16,700.00	16,700.00	9,783.54	6,916.46
Twp FICA, Pension & Hospitalization	65,200.00	75,200.00	58,492.14	16,707.86
<u>Total Other Functions</u>	<u>81,900.00</u>	<u>91,900.00</u>	<u>68,275.68</u>	<u>23,624.32</u>
<u>Capital Outlay</u>	<u>10,000.00</u>	<u>17,200.00</u>	<u>19,759.55</u>	<u>(2,559.55)</u>
<u>Debt Service - Principal</u>	<u>15,000.00</u>	<u>66,000.00</u>	<u>65,276.73</u>	<u>723.27</u>
<u>Debt Service - Interest</u>	<u>3,000.00</u>	<u>3,500.00</u>	<u>3,428.59</u>	<u>71.41</u>
<u>Total Expenditures</u>	<u>603,540.00</u>	<u>719,267.00</u>	<u>617,654.46</u>	<u>101,612.54</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(61,900.00)</u>	<u>(189,627.00)</u>	<u>(94,515.04)</u>	<u>(108,113.12)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(61,900.00)</u>	<u>(189,627.00)</u>	<u>(94,515.04)</u>	<u>95,111.96</u>
<u>Fund Balance - Beginning of Year</u>	<u>65,100.00</u>	<u>365,100.00</u>	<u>291,042.82</u>	<u>(74,057.18)</u>
<u>Fund Balance - End of Year</u>	<u>\$ 3,200.00</u>	<u>\$ 175,473.00</u>	<u>\$ 196,527.78</u>	<u>\$ 21,054.78</u>

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
Fire Station Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 175,000.00	\$ 173,000.00	\$ 174,360.00	\$ 1,360.00
Interest	-	800.00	856.93	56.93
Other Revenues	-	-	6,850.00	6,850.00
<u>Total Revenues</u>	175,000.00	173,800.00	182,066.93	8,266.93
<u>Expenditures</u>				
Salaries	60,000.00	50,000.00	38,664.59	11,335.41
Supplies & Miscellaneous	19,400.00	18,600.00	17,031.62	1,568.38
Contracted Services	25,000.00	35,000.00	28,496.37	6,503.63
Other Expenditures	3,800.00	3,800.00	1,905.72	1,894.28
Capital Outlay	10,000.00	10,000.00	-	10,000.00
Debt Service - Principal	56,000.00	56,116.00	56,115.84	0.16
Debt Service - Interest	16,000.00	15,884.00	13,516.97	2,367.03
<u>Total Expenditures</u>	190,200.00	189,400.00	155,731.11	33,668.89
<u>Excess of Revenues Over (Under) Expenditures</u>	(15,200.00)	(15,600.00)	26,335.82	41,935.82
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	(15,200.00)	(15,600.00)	26,335.82	41,935.82
<u>Fund Balance - Beginning of Year</u>	175,000.00	140,000.00	161,600.01	21,600.01
<u>Fund Balance - End of Year</u>	\$ 159,800.00	\$ 124,400.00	\$ 187,935.83	\$ 63,535.83

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
Senior Center Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
County Millage	\$ -	\$ 151,673.00	\$ 151,673.00	\$ -
Charges for Services	-	-	1,035.00	1,035.00
Interest Earnings	-	-	280.30	280.30
<u>Total Revenues</u>	-	151,673.00	152,988.30	1,315.30
<u>Expenditures</u>				
Wages & Payroll Taxes	42,400.00	47,200.00	28,733.00	18,467.00
Other Expenditures	109,273.00	108,131.00	125,658.81	(17,527.81)
<u>Total Expenditures</u>	151,673.00	155,331.00	154,391.81	939.19
<u>Excess of Revenues Over (Under) Expenditures</u>	(151,673.00)	(3,658.00)	(1,403.51)	2,254.49
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	(151,673.00)	(3,658.00)	(1,403.51)	2,254.49
<u>Fund Balance - Beginning of Year</u>	-	1,400.00	1,403.51	3.51
<u>Fund Balance - End of Year</u>	\$ (151,673.00)	\$ (2,258.00)	\$ -	\$ 2,258.00

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
Garbage Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ -	\$ 150,000.00	\$ 141,464.83	\$ (8,535.17)
Interest	-	880.00	490.35	(389.65)
<u>Total Revenues</u>	-	150,880.00	141,955.18	(8,924.82)
<u>Expenditures</u>				
Contracted Services	-	158,000.00	150,822.85	7,177.15
Other Expenditures	-	-	-	-
<u>Total Expenditures</u>	-	158,000.00	150,822.85	7,177.15
<u>Excess of Revenues Over (Under) Expenditures</u>	-	(7,120.00)	(8,867.67)	(1,747.67)
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	-	(7,120.00)	(8,867.67)	(1,747.67)
<u>Fund Balance - Beginning of Year</u>	-	110,000.00	124,212.92	14,212.92
<u>Fund Balance - End of Year</u>	\$ -	\$ 102,880.00	\$ 115,345.25	\$ 12,465.25

Township of Forest
Required Supplemental Information
Budgetary Comparison Schedule
Building Inspection Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Building Inspections	\$ 12,000.00	\$ 12,000.00	\$ 5,010.00	\$ (6,990.00)
Other Revenues	-	-	-	-
<u>Total Revenues</u>	<u>12,000.00</u>	<u>12,000.00</u>	<u>5,010.00</u>	<u>(6,990.00)</u>
<u>Expenditures</u>				
Salaries	1,300.00	1,300.00	61.20	1,238.80
Other Expenditures	12,400.00	9,400.00	7,403.37	1,996.63
<u>Total Expenditures</u>	<u>13,700.00</u>	<u>10,700.00</u>	<u>7,464.57</u>	<u>3,235.43</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(1,700.00)</u>	<u>1,300.00</u>	<u>(2,454.57)</u>	<u>(10,225.43)</u>
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(1,700.00)</u>	<u>1,300.00</u>	<u>(2,454.57)</u>	<u>(10,225.43)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>14,921.36</u>	<u>14,921.36</u>
<u>Fund Balance - End of Year</u>	<u>\$ (1,700.00)</u>	<u>\$ 1,300.00</u>	<u>\$ 12,466.79</u>	<u>\$ 4,695.93</u>

Other Supplemental Information

Township of Forest
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Loan from Citizens Bank for House

Dated: December 14, 2001

Original Issue: \$100,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2008	2007	
4.38%	12/14/2006	\$ -	\$ -	\$ -
4.38%	12/14/2007	-	11,962	-
4.38%	12/14/2008	-	12,485	-
4.38%	12/14/2009	-	13,031	-
4.38%	12/14/2010	-	13,602	-
4.38%	12/14/2011	-	14,197	-
Total Installment Loan		\$ -	\$ 65,277	\$ -

2001 Fire Truck Loan from Citizens Bank

Dated: July 13, 2001

Original Issue: \$182,793

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2008	2007	
4.95%	7/13/2007	\$ -	\$ 28,720	\$ -
4.95%	7/13/2008	29,986	29,986	1,473
Total Installment Loan		\$ 29,986	\$ 58,706	\$ 1,473

1998 Fire Station Loan from Citizens Bank

Dated: December 3, 1998

Original Issue: \$400,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2008	2007	
4.80%	12/3/2007	\$ -	\$ 27,904	\$ -
4.80%	12/3/2008	29,243	29,243	8,774
4.80%	12/3/2009	30,647	30,647	7,371
4.80%	12/3/2010	32,118	32,118	5,900
4.80%	12/3/2011	33,660	33,660	4,358
4.80%	12/3/2012	35,275	35,275	2,742
4.80%	12/3/2013	32,304	32,304	1,049
Total Installment Loan		\$ 193,247	\$ 221,151	\$ 30,194
Total Installment Loans		\$ 223,233	\$ 345,134	\$ 31,667

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

June 25, 2008

Forest Township
130 East Main
Otisville, Michigan 48463

To the Members of the Board:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Forest for the year ended March 31, 2008, and have issued my report thereon dated June 25, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated October 10, 2006, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Forest are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the Township of Forest's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the Township of Forest on an ongoing basis. Although the internal financial information is sufficient to operate the Township, it is not presented in accordance with generally accepted accounting principles. The Township contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the Township of Forest limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Township has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Forest Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Forest Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of the Township of Forest, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant